

Message Text

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PAGE 01 STOCKH 03381 311132Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----042393 311137Z /12
O 311058Z AUG 78
FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC IMMEDIATE 4598

C O N F I D E N T I A L STOCKHOLM 3381

EXDIS

E.O. 11652: GDS
TAGS: EFIN, SW
SUBJECT: HANDELSBANKEN CASE: GOS INFORMED: CABINET TO MEET
IN EMERGENCY SESSION TO REVIEW CASE

REF: A) STATE 218666, B) STOCKHOLM 3339, C) STATE 221248,
D) STATE 220386

1. FOLLOWING INSTRUCTIONS CONTAINED REFTEL (A), I MET
WITH MFA SECGEN LEIF LEIFLAND AND NORTH AMERICAN DESK
OFFICER LARS AKE NILSSON TO PROVIDE THEM WITH NON-PAPER
(TEXT OF PARA. 2, REFTEL (A)).

2. OBVIOUSLY GREATLY SURPRISED AND DISMAYED IN READING
MESSAGE, LEIFLAND NEVERTHELESS RESPONDED IN CALM,
MEASURED AND QUITE FRIENDLY VEIN. HE SAID HE WOULD
BRING MESSAGE TO IMMEDIATE ATTENTION OF FM SODER,
MINECON BOHMAN AND TORE BROWALDH, CHAIRMAN OF THE BOARD
OF SVENSKA HANDELSBANKEN.

3. CONTINUING, LEIFLAND SAID HE WOULD ADVISE GOS TO
ABIDE BY RECOMMENDATIONS IN US MESSAGE, I.E., CONFIRM
TO MEDIA, IF ASKED, THAT DEMARCHE WAS MADE AND THAT
US ACTION WAS TAKEN AGAINST A SWEDISH BANK. IF
PRESSED, LEIFLAND SAID GOS SPOKESMAN SHOULD STATE THAT
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GOS UNDERSTANDS TREASURY MOVE WAS MADE IN ACCORDANCE
WITH US LAWS. QUESTIONS ON THE DETAILS OF THE
INVESTIGATION WOULD BE REFERRED TO TREASURY.

4. LEIFLAND SAID HE WAS SADDENED BY THIS DEVELOPMENT
WHICH COULD EASILY, ONCE IT IS PUBLICLY KNOWN,
RE-KINDLE MANY BAD MEMORIES OF THE LOW POINTS IN

RECENT SWEDISH-US RELATIONS. THE NEGATIVE SWEDISH REACTION WAS LIKELY TO INCLUDE THE ENTIRE POLITICAL SPECTRUM FROM LEFT TO RIGHT. HE PONDERED AS WELL THE POSSIBLE AFFECT ON THE EMERGING US-VIETNAM RELATIONSHIP.

5. IN SUM, LEIFLAND TOOK MESSAGE IN STRIDE, ALTHOUGH I SUSPECTED THE FULL THRUST OF THE US ACTION AGAINST HANDELSBANKEN'S OPERATIONS IN THE US HAD NOT YET OCCURRED TO HIM. IN CLOSING THE MEETING, LEIFLAND SAID HE BELIEVED THE TREASURY ACTION, AS SERIOUS AS IT IS, WOULD CAUSE NO ENDURING DAMAGE TO BILATERAL RELATIONS. WE BOTH PLEDGED TO DO ALL POSSIBLE TO PREVENT SUCH DAMAGE.

6. LEIFLAND CALLED ME AT 9:00 P.M. LOCAL TIME AND SAID THAT THE GOS WOULD MEET IN EMERGENCY SESSION AT 9:00 A.M. AUGUST 31 TO DISCUSS THE TREASURY ACTION. LEIFLAND SAID STOCKHOLM WAS BEGINNING TO RECEIVE CALLS FROM SEVERAL POINTS IN THE US FROM BANKING CIRCLES AFFECTED BY THE MOVE. APPARENTLY, LEIFLAND ADDED, THE TREASURY ACTION HAS EFFECTIVELY FROZEN ALL HANDELSBANKEN TRANSACTIONS WHICH TOUCH UPON THE US. THE COMPREHENSIVENESS AND SERIOUSNESS OF THE TREASURY ACTION WAS ONLY NOW BEGINNING TO SINK IN IN STOCKHOLM. LEIFLAND SAID THAT THE ENORMITY OF THE MOVE COULD NOT HAVE BEEN CONFIDENTIAL

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GAUGED BY THE NON-PAPER I PRESENTED TO HIM EARLIER IN THE EVENING.

7. RESULTS OF THE CABINET MEETING TODAY WILL BE CABLED AS SOON AS KNOWN AND WE WILL FOLLOW THE PRESS GUIDANCE NOW RECEIVED FROM THE DEPARTMENT (REF. D).

8. ACTION REQUESTED: I SHOULD APPRECIATE THE DEPARTMENT PROVIDING ME WITH AS MUCH UPDATED DETAILED INFORMATION ON THE HANDELSBANKEN INVESTIGATION AS POSSIBLE, CERTAINLY AS MUCH AS HAS NOW BEEN PROVIDED BORGLUND FROM TREASURY, AND A SUMMARY OF HOW THE TREASURY ACTION HAS BEEN IMPLEMENTED AND WHAT FURTHER DEVELOPMENTS POSSIBLY MAY BE EXPECTED. GIVEN THE SERIOUSNESS OF THE MATTER AND THE IMPLICATIONS FOR OUR BILATERAL RELATIONS. I STRONGLY FEEL IT NECESSARY THAT I BE MADE PRIVY TO SUCH INFORMATION IN WHATEVER DETAIL TREASURY BELIEVES APPROPRIATE. KENNEDY-MINOTT

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